

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

July 14, 2003
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, and Councilmembers Creighton, Davidson, Lee¹, Mosher, and Noble

ABSENT: None.

1. Executive Session

Deputy Mayor Degginger opened the meeting at 6:01 p.m. and announced recess to Executive Session for approximately one hour to discuss two items of potential litigation, one item relating to performance of publicly bid contracts, and one item of property acquisition.

The Study Session resumed at 7:02 p.m. with Mayor Marshall presiding. She explained that Council will return to Executive Session following the Study Session to continue discussion of the items.

Mrs. Marshall noted item 3(c) as the first order of business as the public hearing was scheduled for 7:00 p.m.

3. Study Session

- (c) Public Hearing on Technical Advisory Committee's recommendations for the New City Building at 405 110th Avenue NE and on the Purchase and Sale Agreement for the sale of the existing City Hall campus

➡ Deputy Mayor Degginger moved to open the public hearing, and Mr. Lee seconded the motion.

➡ The motion to open the public hearing carried by a vote of 7-0.

¹ Councilmember Lee arrived at 6:09 p.m.

- (1) Donnelly Wilburn, Bellevue Arts Commission, said the Commission endorses the Technical Advisory Committee's recommendations and respectfully requests that the City Council establish a budget for public art at the new city hall building in the amount of 1.25 percent of the construction cost. She explained why public art is important and shared examples of public art in the Puget Sound region.
 - (2) Fred Lisaius, Bellevue Arts Commission, explained what the requested 1.25 percent spending level would allow. He continued to share examples of existing public art at Bainbridge Island City Hall, the Regional Justice Center in Kent, and the new Seattle Justice Center. He said the City has one chance to build a city hall that reflects Bellevue's commitment to culture, connects to the Pedestrian Corridor, provides a generous civic space, and inspires future public projects. Mr. Lisaius reiterated the Commission's support of the TAC's recommendation for the new City building.
 - (3) Suzanne Baugh, Bellevue Downtown Association, congratulated Council and staff on the timely and advantageous purchase of the Qwest Building. She said the BDA has long held a vision of a civic center emerging on the east end of downtown, and this new city hall will be a giant step toward fulfilling that vision. She said the BDA's review of this project concluded that although the project will be expensive, it is not extravagant. The BDA urges the City to establish separate line items for contingencies and sales tax in order to more accurately represent construction costs. Ms. Baugh encouraged Council to continue to work with the TAC, the GC/CM (General Contractor/Construction Manager) process, and citizens as the project continues to evolve. She thanked Council for its leadership in this project.
 - (4) Shannon Boldizsar, Bellevue Chamber of Commerce, commended Councilmembers for their leadership on this project and ongoing community outreach efforts. She expressed the Chamber's support for this project and the City's efforts to create a real civic center that promotes Bellevue and welcomes citizens. Ms. Boldizsar expressed the Chamber's support for the TAC's guiding principles and recommendations. She discussed the importance of remaining fiscally prudent and retaining the City's AAA bond rating. The Chamber requests that Council consider four key finance items prior to making a final project recommendation: 1) Outline criteria for use of the \$20 million "other reserves" as well as a replenishment plan, 2) Conduct a thorough needs review of future services that may be impacted by the use of Capital Investment Program (CIP) funds, 3) Provide a detailed cost per square foot estimate for the building and how those costs compare to other civic developments in the area, and 4) The Chamber is interested in knowing if the City has plans for a third-party review of the finance plan and cost estimates for the construction budget.
- ➡ Deputy Mayor Degginger moved to close the public hearing, and Mr. Creighton seconded the motion.
- ➡ The motion to close the public hearing carried by a vote of 7-0.

City Manager Steve Sarkozy noted that Council will continue its discussion of the new building at the July 21 Study Session. In reference to Ms. Boldizar's comments, he said the project's financing plan includes a replenishment policy for the use of reserves.

2. Oral Communications

- (a) Sarah Langton, Board of Directors Co-Chair for the iQuest Children's Museum, described the museum to be located in Bellevue. Jim Hutchinson, Puget Sound Energy, announced that PSE is pledging \$200,000 toward the iQuest Children's Museum. He encouraged citizens and businesses to consider supporting the museum as well.

3. Study Session

- (a) Council New Initiatives

No new initiatives were discussed.

- (b) Resolution No. 6873 authorizing the City Manager to execute all documents necessary for the purchase of property located at 9817 Lake Washington Boulevard NE, consisting of approximately 10,006 square feet of land with 75 feet of waterfront, for the purchase price of \$3,150,000 plus estimated closing costs of \$3,000 from Hong Shik Kim and the heirs and devisees of Ok Soo Kim, deceased.

City Manager Steve Sarkozy commented on the City's longstanding vision to acquire waterfront property for public access and use.

Parks and Community Services Director Patrick Foran explained how the City's acquisition of the Kim property provides a critical link between the City-owned marina and Meydenbauer Beach Park. A master plan and budget have not yet been established for the area. Mr. Foran indicated the project is a candidate for a future park bond issue.

Deputy Mayor Degginger praised this milestone accomplishment for the community. Dr. Davidson concurred and commended staff for their efforts toward this goal.

- ➡ Mr. Mosher moved to approve Resolution No. 6873, and Mr. Degginger seconded the motion.

Mr. Lee noted the City owned no waterfront property approximately 10 years ago and now owns nearly 1,000 feet along Meydenbauer Bay. He thanked staff for their work on this and previous acquisitions.

Mayor Marshall shared a citizen's recent comments regarding the failure by seven votes of a waterfront park bond issue many years ago. She recalled Bellevue's park bond issue last year, which failed by approximately 150 votes. Mayor Marshall thanked the community for its ongoing support of parks. She looks forward to a future bond issue that will enable development

of a public waterfront.

- ➡ The motion to approve Resolution No. 6873 carried by a vote of 7-0.

Mr. Foran commended Lorrie Peterson, Parks Property Manager, for her work on park acquisitions. Mayor Marshall thanked all of the property owners who were willing to sell their land to the City.

(d) Recreation Program Plan Update

Mr. Foran introduced Terry Smith, Recreation Special Services Manager and project lead for the effort to update the 1999 Recreation Program Plan; Doug Sanner, Fiscal and Quality Control Manager; Michael Koenig, Aquatics Program Administrator; and Steve Doerrer, Enterprise Manager. Mr. Foran explained that tonight's presentation will review the Recreation Program Plan and launch the process to update the plan.

Mr. Foran provided an overview of the City's recreation program, which encompasses four community centers. Nearly one million citizens utilized a recreation/enterprise program in 2002, and more than 2,200 recreation programs are offered annually. Total user fee revenue in 2002 was \$4.1 million. There are approximately 75 sport leagues in the community representing more than 200 teams. Program staffing includes 58 regular employees, 53 seasonal and temporary employees, and 23 volunteers.

The Recreation Program Plan was first completed in 1999 and incorporated comprehensive public participation. The plan established a vision and principles for recreation and the City's specific role as a recreation services provider relative to others in the community. It established a set of service priorities and created a pricing policy to guide the General Fund subsidy of programs. The plan has been recognized nationally and is used as a model by other jurisdictions. Mr. Foran said the plan's vision for recreation emphasizes the objective of a healthy community with widespread access to a range of recreation activities. The plan states that recreation programs offered by the City will be accessible to all citizens, promote the development assets of the community, promote the efficient use of City facilities, be seen as a trusted community resource, and be well coordinated with other recreation services.

Mr. Foran said the City's role is defined in the plan as a partner, funder, facilitator, information and referral source, and direct provider of recreation programs and services. The City's program partners are many and include Bellevue School District, faith organizations, YMCA, King County Library, Youth Eastside Services, Bellevue Community College, Bellevue Boys and Girls Club, and Bellevue Downtown Association. Programs are intended to serve all citizens including children, youth, teens, seniors, and people with disabilities.

Mr. Foran described the recreation services pricing policy, which sets priorities for General Fund subsidies within recreation programs:

- Full subsidy – Programs in which no cost recovery is required. Includes most drop-in programs at community centers and after-school programs.

- Merit pricing – Recovery of direct program costs (staffing, supplies).
- Full cost recovery – Refers to enterprise operations and includes recovery of direct, maintenance, and overhead costs.
- Return on investment – Full cost recovery plus profit.

Mr. Foran said General Fund recreation services revenues have increased an average of 10 percent per year since 1999. Participant satisfaction remains high, with 89 percent identifying the programs as a “good value” and 90 percent reporting that programs meet their expectations. Partnerships with community organizations have expanded significantly. Resident participation in programs requiring registration increased from 67 percent in 1999 to 74 percent in 2002.

Staff feels the guiding principles and goals of the plan are still relevant and should be continued. The purpose of updating the plan is to: 1) review changing user trends, 2) assess service gaps and overlaps with community partners, 3) evaluate changing market conditions, 4) review subsidy levels, and 5) seek Council direction and comments. The pricing component of the update process will review access and cost recovery for non-residents, scholarship limits for Bellevue residents, and fees and charges for rentals and drop-in programs.

Mr. Foran recalled the transfer of Bellevue Aquatic Center from King County to the City and the transfer agreement that required the City to treat non-residents and residents alike in terms of fees. King County lifted this restriction in 2003, and the Parks Department was asked to evaluate non-resident pricing and access policies during the 2003-2004 budget process. The Aquatic Center currently operates in the Parks Enterprise Fund with 50-percent cost recovery. Revenues are generated by the lesson program, drop-ins, and facility rentals. However, the aquatics program remains subsidized by the General Fund, the Maintenance and Operations Endowment Interest, and other enterprise activities such as the City’s golf course.

Mr. Foran said 2002 revenues totaled \$515,000 from the following sources:

- Lessons – 41 percent
- Drop-ins – 32 percent
- Rentals – 27 percent.

Residents generated 55 percent of the revenue and non-residents paid 45 percent of total fees/charges.

Mr. Foran described fiscal constraints to be considered in the current update of the Recreation Program Plan. He noted that M&O Endowment revenues have decreased from \$133,000 annually to \$41,000 in the past year. Bellevue Aquatic Center’s rates are at the top relative to the regional market. Several King County pools are being transferred to other public agencies, and new concepts for pools are emerging. The City of Renton is building a large aquatic center dependent on a revenue structure that will attract non-residents and minimize the subsidy by their own residents. Mr. Foran feels Bellevue will lose some market share to this facility.

Mr. Foran said an update of the Recreation Program Plan provides the opportunity for staff to gather and analyze information on Bellevue Aquatic Center customers, better understand the

changing aquatics market, and develop alternative policies that will balance resident priority access and fiscal goals. The Parks and Community Services Board will review each section of the plan. Staff plans to return to Council with aquatic pricing recommendations in January 2004, and the full recreation plan review is scheduled for completion in April 2004.

Mr. Mosher encouraged staff to study the community's changing demographics in its update of the plan. He noted the city's increasing diversity and aging population. Mr. Lee concurred.

Mr. Creighton expressed support for the rationale to update the plan. He noted there are many private sector opportunities for recreation, but feels the City should continue to have a role as well.

Mayor Marshall suggested adding neighborhood facilities, including pools and tennis courts built for housing developments, to the list of potential partners. She feels there could be future opportunities to partner with neighborhoods and/or acquire such facilities. She supports the continuation of policies providing priority scheduling and reduced fees for Bellevue residents.

(e) Residential Sewer Billings

Mr. Sarkozy introduced a proposal to change the method for residential sewer billing in order to be consistent with other utility billings and to streamline implementation of the Customer Information System (CIS).

Nav Otal, Utilities Assistant Director, explained that residential customers currently are billed in advance for sewer services, which is inconsistent with the way Bellevue customers are billed for water and storm/surface water services. In addition, Bellevue Utilities will add approximately 2,000 customers effective December 31, 2003, with the City's assumption of the Coal Creek Utility District. Current CCUD customers are billed for sewer services after they receive the service. Staff recommends eliminating the pre-billing practice for residential sewer customers and utilizing reserves to fund the revenue shortfall. Reserves would be restored over four years through a one-time rate increase in 2005 of one percent. Utilities Director Lloyd Warren noted additional options in the Council packet (Page 3-27).

Ms. Otal responded to brief questions of clarification from Councilmembers.

- ➡ Deputy Mayor Degginger moved to: 1) approve modifying the current billing practice to eliminate pre-billing for residential service charges, and 2) to direct staff to return to Council with additional options for restoring reserves. Mr. Lee seconded the motion.

Dr. Davidson and Mr. Creighton expressed support for the motion.

- ➡ The motion to approve modifying the current billing practice to eliminate pre-billing for residential service charges, and to direct staff to return to Council with additional options for restoring reserves, carried by a vote of 7-0.

- (f) Direction to Bellevue's Cascade Water Alliance Representative supporting Cascade's Action Plan, including the proposed long-term Seattle water supply contract.

Utilities Director Lloyd Warren commented on the editorial in today's newspaper expressing support for Cascade Water Alliance's proposed long-term water supply contract with Seattle. The purpose of tonight's discussion is to confirm Council's support of Cascade's Action Plan and the water contract proposal.

Mr. Warren recalled that the Action Plan secures a future water supply for Cascade members. Immediate and short-term needs will be met through the contract with Seattle. An interim supply is under development with Tacoma, and long-term needs will be met by establishing a new water supply at Lake Tapps or another source. The Action Plan works toward resolving the long-term water needs of the region. Cascade Water Alliance enables member jurisdictions to have an ownership interest and direct influence in regional water supply policy and investments. Mr. Warren noted that the Action Plan is sensitive to the needs of both people and fish.

In terms of financial implications, Mr. Warren said the Cascade arrangement will provide water rates comparable to Seattle's past rates over the next 20 years. An investment in Lake Tapps or other new water supply will require a significant investment, likely resulting in increased rates for 10 to 15 years. In the longer term, Cascade water rates are expected to be lower than the rates charged by Seattle. This is due to Seattle's older system and the inevitable need for infrastructure improvements in the coming years.

Councilmember Mosher expressed support for Cascade's efforts to develop new water supply sources. He looks forward to greater independence and flexibility in addressing regional water needs through Cascade Water Alliance.

Responding to Mr. Noble, Mr. Warren confirmed that water from Tacoma and Lake Tapps will be required to meet federal standards for water quality.

Deputy Mayor Degginger said Cascade's Action Plan will enable the region to meet future water needs for people and fish. Cascade allows member cities and water districts to participate in planning to ensure an adequate supply of water and to meet conservation goals for fish. Mr. Degginger acknowledged there is some risk in moving forward with Cascade but much greater risk in choosing to not move forward.

Dr. Davidson briefly reviewed Bellevue's interest since the early 1980s in identifying a new water supply. He feels the creation of additional water sources in the region will facilitate enhanced water management for fish and people. He praised past and current Councilmembers for their dedicated leadership toward this goal for so many years.

- ☉ Dr. Davidson moved to provide direction to Bellevue's Cascade Water Alliance representative to continue to support Cascade's Action Plan, which includes a 50-year declining block water supply contract with Seattle. Mr. Mosher seconded the motion.

Mr. Lee expressed support for the motion and thanked staff and Councilmembers for their work with Cascade Water Alliance.

Mayor Marshall commented on the importance of Cascade's current efforts for future generations. She thanked Cascade General Manager Michael Gagliardo, Mr. Warren, Deputy Mayor Degginger, and Councilmembers Davidson and Mosher for all of their work.

- ➡ The motion to provide direction to Bellevue's Cascade Water Alliance representative to continue to support Cascade's Action Plan, which includes a 50-year declining block water supply contract with Seattle, carried by a vote of 7-0.

(g) Transportation Facilities Plan (TFP) and Impact Fee Updates

Transportation Director Goran Sparrman opened staff's presentation on the Transportation Facilities Plan (TFP) and impact fees update.

Eric Miller, Capital Programming Manager, explained that the TFP is a 12-year plan to prioritize transportation projects. The first six years of the plan contains funded Capital Investment Program (CIP) transportation projects. An Environmental Impact Statement (EIS) is prepared when the TFP is updated every two years to provide a programmatic environmental review. The cost of roadway and intersection capacity projects in the plan are the basis for the calculation of the City's transportation impact fees.

Mr. Miller said the cost of projects in the TFP must not exceed the amount of transportation revenue anticipated over the 12-year planning period. TFP revenue sources fall into four categories:

- Transportation-dedicated sources – Examples include the City's share of the state gas tax, county vehicle license fees, and real estate excise tax.
- Impact fees and developer contributions.
- Grants and other outside agency funds.
- General CIP funds.

Mr. Miller introduced the following key policy issues of the TFP update process: 1) inclusion of all BROTS projects in the TFP is required, 2) capacity versus non-capacity projects, 3) partial or phased projects, 4) investigation of new or enhanced revenue sources, and 5) impact fee program alternatives.

Chris Dreaney, Development Review Manager, explained the proposed approach to impact fees in the TFP and impact fee update. She recalled that Council adopted the current impact fee schedule in November 2001. Council previously directed staff to review the program and present options for a streamlined approach to calculating impact fees based on the following principles: 1) keep it simple and straightforward, 2) remain competitive with other jurisdictions, 3) maintain neighborhood equity, and 4) maintain proportionality between fees and developers' share of project costs.

Three variables to be considered in the development of impact fee options are reducing the number of impact fee areas, setting the cost per developer trip by area rather than by averaging citywide, and averaging the trip length citywide rather than setting by area. There are currently 13 impact fee areas plus two more outside the city. Ms. Dreaney described the following options:

Method A – One citywide impact fee area. This method averages cost per trip and trip length on a citywide basis.

Method B – Two impact fee areas: downtown and outside the downtown. This method averages cost per trip citywide, but continues to allow trip length to vary by area.

Method C – Two impact fee areas: downtown and outside the downtown. Cost per trip and trip length varies for the two areas.

Ms. Dreaney reviewed a table displaying estimated impact fees for residential, office, and retail development under the current and alternative methods. She noted the significant difference in impact fees for the two areas under Method C. A higher volume of trip growth is projected for the downtown, which reduces impact fees for downtown development relative to development outside of the downtown with Method C.

Ms. Dreaney said the Transportation Commission recommends matching impact fee areas with existing mobility management areas (MMAs).

Responding to Mr. Mosher, Ms. Dreaney said information on the alternative methods has been sent to some developers for review and comment, and the City has not received any responses to date. In further response, Ms. Dreaney said Bellevue's fees are comparable to or competitive with surrounding jurisdictions. Several neighboring cities designate only one impact fee area for the whole city.

Mayor Marshall suggested soliciting comments from Bellevue Chamber of Commerce, Bellevue Downtown Association, and developers. Deputy Mayor Degginger concurred.

Mr. Noble noted that MMAs were originally created for concurrency purposes because neighborhoods have different characteristics and needs. He would like more analysis by staff to understand the implication of adopting MMAs as impact fee areas.

Mr. Lee requested information on how much the City is currently spending on capacity versus non-capacity projects.

Mayor Marshall noted that a broader Council discussion about CIP funding will help guide decisions on the TFP and impact fees. Transportation projects have historically received a significant percentage of CIP funding. However, a change will occur in the next few years as transportation needs decrease and an emphasis is placed on public safety facility needs, which have been underfunded during the past 10 years.

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Mr. Sarkozy acknowledged the complexity of the issues and the need for a broader CIP discussion regarding 2010 and beyond. He noted the relationship of impact fees to economic development objectives as well. Staff responded to additional brief questions of clarification.

At 9:33 p.m., Mayor Marshall announced recess to Executive Session. The meeting was adjourned at 10:14 p.m.

Myrna L. Basich
City Clerk

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